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September 18, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE

Energy/Offshore Oil Drilling Legislation (H.R. 6899)

On September 16, 2008, the House passed H.R. 6899, the Comprehensive American Energy Security and Consumer Protection Act, which is the House Democratic leadership's energy/offshore, oil drilling bill. The bill passed, 236 to 189, largely along party lines. All Democrats in the County's Congressional delegation voted to pass the bill while all Republicans voted against it except for Representative Dreier, who did not vote. The rule for House floor debate did not allow any amendments to be offered to the bill.

Major provisions of the bill include the following:

- Allows offshore oil and gas exploration and drilling between 50 and 100 miles of the Atlantic and Pacific coasts if the adjacent coastal state enacts a law authorizing it and beyond 100 miles at the sole discretion of the Federal government;
- Provides that the Federal government would collect all royalties from new oil and gas leases permitted under the bill and that adjacent coastal states would not receive a share of such royalties;
- Establishes the Strategic Energy Efficiency and Renewables Reserve Fund into which all Federal revenues from royalties and fees would be deposited and used to

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cover the costs of enacted legislation which would increase alternative domestic sources of energy, promote energy conservation and efficiency, increase research of renewable energy sources and energy efficiency technologies, or provide home heating and weatherization assistance to low-income persons;

- Establishes the Residential Energy Efficiency Block Grant, which would provide funding to state and local governments to improve energy efficiency in homes using the Community Development Block Grant allocation formula. The bill authorizes \$2.5 billion for this new grant in Federal Fiscal Year (FFY) 2009 and such sums as may be necessary in subsequent fiscal years;
- Authorizes \$850 million a year in FFYs 2008 and 2009 to improve public transportation services, including \$750 million a year in urbanized area mass transit formula grants;
- Directs the Energy Department to update building standards to improve energy efficiency, and requires states to comply with the new building codes within three years of the bill's enactment;
- Authorizes the Energy Department to provide technical assistance and funding to states to update their building codes;
- Requires utilities to produce at least 15 percent of their electricity from renewable sources by 2020;
- Provides an estimated total of \$19 billion over 19 years in energy tax incentives, including the extension of existing renewal energy tax credits which otherwise would expire. The bill complies with "pay-as-you-go" budget rules by repealing the ability of the five largest oil companies and foreign government-controlled firms to use a current tax deduction aimed at domestic manufacturing and by changing how foreign oil and gas extraction income is calculated and subject to U.S. taxation.

One of the most contentious issues in H.R. 6899 is the expansion offshore oil and gas drilling, which is a major election-year campaign issue. Under current law, offshore drilling is permitted only in certain designated areas, including some areas off the coast of California. Drilling has been barred from most offshore areas under moratoriums that have been enacted since 1978 in annual appropriations bills. In the Senate, there is a bipartisan "gang" of 20 Senators, which has been trying to develop a compromise, which would allow for some expanded offshore drilling and possibly the sharing of royalty revenue with states that allow offshore drilling off their coasts.

It is not clear that an energy/oil drilling compromise can be reached that will be able to secure the 60 votes needed to overcome a filibuster on the Senate floor and be acceptable to both House Democrats and the Bush Administration. The President strongly opposes H.R. 6899 and is threatening to veto the bill on the grounds that its expansion of offshore drilling is far too little, the lack of revenue-sharing with states eliminates the financial incentive for them to allow offshore drilling off their coasts, and it increases taxes on oil companies.

Eastern Sierra and Northern San Gabriel Wild Heritage Act (S. 3069/H.R. 6156)

On September 11, 2008, the Senate Energy and Natural Resources Committee approved more than 50 land use, parks, and wilderness bills, including S. 3069 (Boxer, D-CA), the Eastern Sierra and Northern San Gabriel Wild Heritage Act, which would designate certain public land in California as wilderness areas. As introduced, S. 3069 would designate 472,804 acres of public land in California as wilderness, including 42,000 acres of land in Los Angeles County, located within the Angeles National Forest. Prior to approving S. 3069, on a voice vote, the Committee adopted an amendment which removed 2,100 acres of land from the proposed wilderness designation that are adjacent to communities, such as Juniper Hills and Sand Canyon, in the County. This acreage was removed to provide a buffer zone between the proposed wilderness areas and residential communities, which would afford greater protection from wildfires.

In response to concerns raised by the County, the bill also was amended to include stronger fire protection language, which would require the Secretary of Agriculture ("Secretary") to revise local fire management plans that apply to the land designated as wilderness and to enter into agreements with appropriate State or local firefighting agencies, such as the County's Fire Department, for fire management and related activities. The Committee amended similar fire protection language into H.R. 3682 (Bono, R-CA), a Riverside County wilderness bill, before approving that bill. This new fire protection language, which was negotiated between Senate and House staff, is stronger than the language in the House-passed version of H.R. 3682 in so far as it requires rather than permits the Secretary to enter into agreements to delegate firefighting and related authority to State or local agencies.

Senate and House staff have been working informally to try to reach agreement on parks and wilderness bills as relatively little time remains before Congress is scheduled to adjourn on September 26, 2008. Last week, the House Natural Resources Committee held an informational hearing on H.R. 6156 (McKeon, R-CA), the House companion bill to S. 3069. Next week, the Committee is expected to amend H.R. 6156 with the revised language from S. 3069 when it marks up the bill. To increase the prospects for the enactment of wilderness bills, such as S. 3069, H.R. 3682, and many of the other bills approved by the Senate Energy and Natural Resources Committee

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last week, may be consolidated into a single bill, which would have a broader base of support. A unanimous consent agreement also will be to limit Senate floor debate to bring any wilderness legislation to a final vote.

We will continue to keep you advised.

WTF:GK
MT:ja

c: All Department Heads
Legislative Strategist